

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Greenwood Township</b>	County <b>Clare</b>
Audit Date <b>3/31/06</b>	Opinion Date <b>5/12/06</b>	Date Accountant Report Submitted to State: <b>7/11/06</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) <b>Baird, Cotter and Bishop, P.C.</b>			
Street Address <b>134 West Harris Street</b>	City <b>Cadillac</b>	State <b>MI</b>	Zip <b>49601</b>
Accountant Signature 		Date <b>7/11/06</b>	

**GREENWOOD TOWNSHIP, CLARE COUNTY**

**HARRISON, MICHIGAN**

**MARCH 31, 2006**

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

MARCH 31, 2006

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134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.  
1902 - 1990  
JACK H. BAIRD, C.P.A.  
JERRY L. COTTER, C.P.A.  
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.  
ROBERT V. BEATTIE, C.P.A.  
DOUGLAS P. McMULLEN, C.P.A.  
JOHN F. TAYLOR, C.P.A.  
STEVEN C. ARENDS, C.P.A.  
SCOTT A. HUNTER., C.P.A.  
JONATHAN E. DAMHOF, C.P.A.  
MICHAEL D. COOL, C.P.A.

*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 12, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board  
Greenwood Township  
Clare County  
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Greenwood Township, Clare County, Harrison, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Greenwood Township, Clare County, Harrison, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 22 and 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenwood Township, Clare County, Harrison, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

Greenwood Township, a general law township located in Clare County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Greenwood Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

**Financial Highlights**

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$827,634. Of this amount, \$471,175 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$626,720. About 72.30% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements** The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Greenwood Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

## GREENWOOD TOWNSHIP, CLARE COUNTY

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FOR FISCAL YEAR ENDED MARCH 31, 2006

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

#### **Fund Financial Statements**

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

***Governmental Funds*** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

***Proprietary Funds*** – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

#### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

#### **Other Information**

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

#### **Government-Wide Financial Analysis**

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over

GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

time. The Net Assets of the Township are \$827,634 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

**Greenwood Township**  
**Net Assets as of March 31, 2006**

	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Current Assets	\$ 627,313
Non Current Assets	
Capital Assets	227,908
Less: Accumulated Depreciation	<u>26,994</u>
Total Non Current Assets	<u>200,914</u>
<b>Total Assets</b>	<u><u>\$ 828,227</u></u>
<b>Liabilities</b>	
Current Liabilities	\$ <u>593</u>
<b>Net Assets</b>	
Invested in Capital Assets	200,914
Restricted for Specific Purposes	155,545
Unrestricted	<u>471,175</u>
<b>Total Net Assets</b>	<u><u>827,634</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 828,227</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$471,175 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$75,538 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.



GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Greenwood Township**  
**Change in Net Assets**  
**for the Fiscal Year Ended March 31, 2006**

	<b><u>Governmental Activities</u></b>
<b><u>Revenues</u></b>	
<b>Program Revenues</b>	
Charges for Services	\$ 5,414
Operating Grants and Contributions	59,525
Capital Grants and Contributions	78,543
<b>General Revenues</b>	
Taxes	40,814
State Shared Revenue	75,246
Interest Earnings	11,065
Other	16,479
<b>Total Revenues</b>	<u>287,086</u>
<b><u>Expenses</u></b>	
Legislative	8,034
General Government, Administrative	53,349
Public Safety	22,906
Public Works	105,042
Health and Welfare	13,945
Other Functions	8,272
<b>Total Expenses</b>	<u>211,548</u>
Change in Net Assets	75,538
NET ASSETS – Beginning of Year	<u>752,096</u>
NET ASSETS – End of Year	\$ <u><u>827,634</u></u>

**Governmental Activities**

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$75,538 or 10.04% in the governmental funds. GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Greenwood Township comes from property taxes and special assessments. The Township levied .8501 mills for operating purposes and 1.8618 mills for road improvement.

GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by Public Works expenses that total 49.65% of total expenses. The Township spent \$105,042 in fiscal year 2006 on Public Works expenses. General Government represented the next largest expense at \$53,349, or 25.22% of total expenses.

**Business-Type Activities**

The Township does not maintain any Business-Type Activities

**Financial Analysis of the Government's Funds**

***Governmental Funds*** The focus of Greenwood Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Greenwood Township's governmental funds reported combined ending fund balances of \$626,720. Approximately 72.30%, or \$453,119 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road maintenance must be used for expenditures that relate to road maintenance.

**General Fund** – The General Fund increased its fund balance by \$39,128 which brings the fund balance to \$458,111. \$4,992 of the General Fund's fund balance is reserved for Telecommunication's Right-of-Way and the rest is unreserved. All of the General Fund's functions ended the year with expenditures below budgeted amounts. Property taxes amounted to \$40,814. State shared revenues were collected in the amount of \$75,246.

**Road Improvement Fund** – The Road Improvement Fund decreased its fund balance by \$80,543 which brings the fund balance to \$47,697. This balance is reserved and must be used for road improvements.

**Garbage and Rubbish Collection Fund** – The Garbage and Rubbish Collection Fund decreased its fund balance by \$7,539 which brings the fund balance to \$83,609. This balance is reserved and must be used for Garbage and Rubbish Collection.

**Harding Cherry Grove Improvement Fund** – The Harding Cherry Grove Improvement Fund decreased its fund balance by \$4,115 which brings the fund balance to \$20,062. This balance is reserved and must be used for Harding Cherry Grove improvements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

**Lily Lake Improvement Fund** – The Lily Lake Improvement Fund increased its fund balance by \$1,692 which brings the fund balance to \$17,241. This balance is reserved and must be used for Lily Lake improvements.

**Proprietary Fund** – The Township does not maintain any proprietary funds.

**Capital Assets and Debt Administration**

**Capital Assets.** The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$200,914 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$300 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

<b>Greenwood Township</b>	
<b>Capital Assets as of March 31, 2006</b>	
	<b>Governmental Activities</b>
Land	\$ 18,018
Buildings and Building Improvements	31,649
Equipment, Furniture and Fixtures	9,955
Public Domain Infrastructure	<u>168,286</u>
	227,908
Less Accumulated Depreciation	<u>26,994</u>
<b>Net Capital Assets</b>	<b>\$ <u>200,914</u></b>

Major capital asset events during the current fiscal year included the following:

- Four acres on M-61 for new township hall cost \$17,500.
- Township portion of Bringold Avenue paving cost \$117,201.

**Long-Term Debt.** Greenwood Township has no obligation for any long-term debt as of March 31, 2006.

**Economic Condition and Outlook**

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues. State-shared revenues are expected to remain approximately the same in the 2006-07 fiscal year.

GREENWOOD TOWNSHIP, CLARE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED MARCH 31, 2006

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

**Request for Information**

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Greenwood Township at 185 W. Temple Drive, Harrison, Michigan 48625.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF NET ASSETS  
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 580,843
Receivables	
Taxes and Special Assessments	22,775
External Parties (Fiduciary Fund)	4,914
Due from Other Governments	<u>18,781</u>
Total Current Assets	<u>627,313</u>
<u>CAPITAL ASSETS</u>	
Land	18,018
Building Improvements	14,821
Buildings	16,828
Machinery and Equipment	9,955
Public Domain Infrastructure	<u>168,286</u>
	227,908
Less Accumulated Depreciation	<u>26,994</u>
Net Capital Assets	<u>200,914</u>
 TOTAL ASSETS	 <u>828,227</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	<u>593</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	200,914
Restricted for:	
Road Improvements	47,697
Garbage and Rubbish Collection	83,609
Harding Cherry Grove Improvement	2,006
Lily Lake Improvement	17,241
Telecommunications Right-Of-Way	4,992
Unrestricted	<u>471,175</u>
TOTAL NET ASSETS	<u><u>\$ 827,634</u></u>

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2006

					<u>NET (EXPENSE)</u>
					<u>REVENUE</u>
					AND CHANGES
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<u>PRIMARY GOVERNMENT</u>					
<u>GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 8,034	\$ 0	\$ 0	\$ 0	\$ (8,034)
General Government	53,349	5,414	0	0	(47,935)
Public Safety	22,906	0	0	0	(22,906)
Public Works	105,042	0	43,900	78,543	17,401
Health and Welfare	13,945	0	15,625	0	1,680
Other Functions	8,272	0	0	0	(8,272)
Total Governmental Activities	\$ 211,548	\$ 5,414	\$ 59,525	\$ 78,543	(68,066)
<u>GENERAL REVENUES</u>					
Taxes					40,814
State Shared Revenue					75,246
Interest Earnings					11,065
Other					16,479
Total General Revenues and Transfers					143,604
Change in Net Assets					75,538
<u>NET ASSETS</u> - Beginning of Year					752,096
<u>NET ASSETS</u> - End of Year					\$ 827,634

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY

HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD IMPROVEMENT FUND	GARBAGE AND RUBBISH COLLECTION FUND
<u>ASSETS</u>			
Cash	\$ 431,407	\$ 39,807	\$ 75,974
Taxes and Special Assessments Receivable	3,602	7,890	7,635
Due From Other Governments	18,781	0	0
Due From Other Funds	4,914	0	0
Total Assets	<u>\$ 458,704</u>	<u>\$ 47,697</u>	<u>\$ 83,609</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 593	\$ 0	\$ 0
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FUND BALANCE

Reserved for:

Road Improvements	0	47,697	0
Garbage and Rubbish Collection	0	0	83,609
Harding Cherry Grove Improvement	0	0	0
Lily Lake Improvement	0	0	0
Telecommunications Right-Of-Way	4,992	0	0

Unreserved

Designated for Township Hall	30,118	0	0
Undesignated	423,001	0	0
Total Fund Balance	<u>458,111</u>	<u>47,697</u>	<u>83,609</u>

TOTAL LIABILITIES AND  
FUND BALANCE

\$ 458,704	\$ 47,697	\$ 83,609
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The accompanying notes are an integral part of the financial statements.

HARDING CHERRY GROVE IMPROVEMENT FUND	LILY LAKE IMPROVEMENT FUND	TOTALS
\$ 17,789	\$ 15,866	\$ 580,843
2,273	1,375	22,775
0	0	18,781
0	0	4,914
<u>\$ 20,062</u>	<u>\$ 17,241</u>	<u>\$ 627,313</u>

\$ 0	\$ 0	\$ 593
------	------	--------

0	0	47,697
0	0	83,609
20,062	0	20,062
0	17,241	17,241
0	0	4,992
0	0	30,118
0	0	423,001
<u>20,062</u>	<u>17,241</u>	<u>626,720</u>
<u>\$ 20,062</u>	<u>\$ 17,241</u>	<u>\$ 627,313</u>

The accompanying notes are an integral part of the financial statements.



GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 626,720
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Amounts Reported for Governmental Activities in the  
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not  
financial resources and therefore are not reported in the funds.

Land	\$ 18,018	
Buildings	16,828	
Building Improvements	14,821	
Machinery and Equipment	9,955	
Public Domain Infrastructure	168,286	
Accumulated Depreciation	(26,994)	200,914

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 827,634</u>
---------------------------------------	-------------------

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY

HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD IMPROVEMENT FUND	GARBAGE AND RUBBISH COLLECTION FUND
<u>REVENUES</u>			
Taxes	\$ 40,814	\$ 64,615	\$ 0
State Grants	75,246	0	0
Charges for Services	5,414	0	0
Interest and Rents	9,461	1,006	567
Other Revenues	16,479	0	43,900
Total Revenues	147,414	65,621	44,467
<u>EXPENDITURES</u>			
Legislative	8,034	0	0
General Government	68,547	0	0
Public Safety	22,906	0	0
Public Works	527	146,164	52,006
Health and Welfare	0	0	0
Other Functions	8,272	0	0
Total Expenditures	108,286	146,164	52,006
Expenditures (Deficiency) of Revenues Over Expenditures	39,128	(80,543)	(7,539)
<u>FUND BALANCE</u> - Beginning of Year	418,983	128,240	91,148
<u>FUND BALANCE</u> - End of Year	\$ 458,111	\$ 47,697	\$ 83,609

The accompanying notes are an integral part of the financial statements.

HARDING CHERRY GROVE IMPROVEMENT FUND	LILY LAKE IMPROVEMENT FUND	TOTALS
\$ 0	\$ 0	\$ 105,429
0	0	75,246
0	0	5,414
19	12	11,065
13,928	15,625	89,932
13,947	15,637	287,086
0	0	8,034
0	0	68,547
0	0	22,906
18,062	0	216,759
0	13,945	13,945
0	0	8,272
18,062	13,945	338,463
(4,115)	1,692	(51,377)
24,177	15,549	678,097
\$ 20,062	\$ 17,241	\$ 626,720

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
MARCH 31, 2006

Net change in Fund Balances - Total Governmental Funds	\$ (51,377)
--	-------------

Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(7,786)
Capital Outlay	<u>134,701</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 75,538</u></u>
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The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	\$        4,831
Due from Other Governments	<u>                83</u>
 TOTAL ASSETS	 <u><u>\$        4,914</u></u>
 <u>LIABILITIES</u>	
Due to General Fund	 <u><u>\$        4,914</u></u>

The accompanying notes are an integral part of the financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

Greenwood Township is a general law township located in Clare County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

**B. Government-wide and Fund Financial Statements**

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

*Invested in Capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Greenwood Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Improvement Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Garbage and Rubbish Collection Fund* accounts for revenue sources that are legally restricted to expenditures for garbage and rubbish collection.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

The *Harding Cherry Grove Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for Harding Cherry Grove improvements.

The *Lily Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for improvements to Lily Lake.

Additionally, Greenwood Township reports the following fund types:

*Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

## **D. Assets, Liabilities and Equity**

### ***1. Deposits and Investments***

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of twelve months or less from date of acquisition.

I. The Township has authorized the Township treasurer to invest funds as follows:

- a. In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution complies with subsection (II.).



GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

- c. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
  - d. In repurchase agreements consisting of instruments listed in subdivision (a).
  - e. In bankers' acceptances of United States banks.
  - f. In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
  - g. In mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
    - i. The purchase of securities on a when-issued or delayed deliver basis.
    - ii. The ability to lend portfolio securities as long as the mutual fund received collateral at all times equal to at least 100% of the value of the securities loaned.
    - iii. The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
  - h. In obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
  - i. In investment pools organized under the Surplus Fund Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
  - j. In investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.
- II. A public corporation that invests its funds under subsection (I) shall not deposit or invest the funds in a financial institution that is not eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

Assets acceptable for pledging to secure deposits of public funds are limited to assets authorized for direct investment under subsection (I).

As used in this section "financial institution" means a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**2. *Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Greenwood Township totaled \$34,705,770, on which ad valorem taxes levied consisted of .8501 mills for Greenwood Township operating purposes and 1.8618 mills for road improvements. The levies raised approximately \$29,500 for operating purposes and \$64,615 for road improvements.

**3. *Inventories and Prepaid Items***

Inventories are not significant and are expensed as required.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**4. *Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$300 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50 years
Building Improvements	20 years
Sewer Lines	50-75 years
Roads	20 years
Infrastructure	20 years
Vehicles	10 years
Office Equipment	3-5 years
Computer Equipment	3-5 years
Furniture/Fixtures	10 years
Other Equipment	10 years

Greenwood Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

***5. Long-term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***6. Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

***7. Use of Estimates***

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 26, 2005 or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The Township's deposits are owned by several of the Township's funds. Bank deposits and certificate of deposits are in Chemical Bank, Harrison, National City Bank, Harrison and Farwell State Savings Bank, Farwell. At year-end, the carrying amount of the Township's deposits was \$585,674 and the bank balance was \$588,721. Of the bank balance, \$436,242 was covered by Federal depository insurance and \$152,479 was uninsured and uncollateralized.

*Investment rate risk.* The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

*Foreign currency risk.* The Township is not authorized to invest in investments, which have this type of risk.

*Credit risk.* The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

*Concentration of credit risk.* The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

*Custodial credit risk – deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$152,479 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

**B. Receivables**

Receivables as of year end for the government's individual major funds are as follows:

	General	Road Improvement	Garbage And Rubbish Collection	Harding Cherry Grove Improvement	Lily Lake Improvement	Total
Receivables						
Taxes and special assessments	\$ 3,602	\$ 7,890	\$ 7,635	\$ 2,273	\$ 1,375	\$ 22,775

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**C. Capital Assets**

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities</u>				
Capital assets, not being depreciated				
Land	\$ 518	\$ 17,500	\$ 0	\$ 18,018
Capital assets, being depreciated				
Buildings	16,828	0	0	16,828
Building Improvements	14,821	0	0	14,821
Machinery and Equipment	9,955	0	0	9,955
Public Domain Infrastructure	51,085	117,201	0	168,286
Total capital assets, being depreciated	92,689	117,201	0	209,890
Less accumulated depreciation for:				
Buildings	5,525	337	0	5,862
Building Improvements	10,587	741	0	11,328
Machinery and Equipment	2,245	1,224	0	3,469
Public Domain Infrastructure	851	5,484	0	6,335
Total accumulated depreciation	19,208	7,786	0	26,994
Total capital assets, being depreciated, net	73,481	109,415	0	182,896
Governmental activities capital assets, net	\$ 73,999	\$126,915	\$ 0	\$200,914

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 2,302
Public Works	5,484
Total Depreciation expense - governmental activities	<u>\$ 7,786</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**D. Interfund Receivables, Payables and Transfers**

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 4,914	\$ 0
Fiduciary Funds		
Current Tax Collection Fund	0	4,914
	<u>\$ 4,914</u>	<u>\$ 4,914</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

**E. Long-Term Debt**

At March 31, 2006, the Township was not obligated for any long-term debt.

**F. Fund Balance Reserves and Designations**

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves and designations are detailed in the following schedule:

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved

General Fund

Telecommunications Right of Way \$ 4,992

Special Revenue Funds

Road Improvement Fund

Road Improvement \$ 47,697

Garbage and Rubbish Collection Fund

Garbage and Rubbish Collection 83,609

Harding Cherry Grove Improvement Fund

Harding Cherry Grove Improvement 20,062

Lily Lake Improvement Fund

Lily Lake Improvement 17,241 168,609

Unreserved - Designated

General Fund

Township Hall 30,118

TOTAL FUND BALANCE

RESERVES AND DESIGNATIONS \$ 203,719

**G. Fire Protection Contract**

An agreement was entered into between the City of Harrison and the Township for fire protection. The Township paid \$22,906 to the City for fire protection for the year.

**H. Road Improvement Fund**

The electors approved a two mill levy for road improvements within the township. The transactions accounting for this levy are reflected in a separate fund labeled "Road Improvement Fund." The millage has been renewed.

**I. Garbage and Rubbish Collection Fund**

On May 1, 1989, the township board approved the placing of an annual special assessment on the tax roll to finance the cost of house-to-house trash pickup. The transactions accounting for the income and expenses related to the trash pickup are reflected in a separate fund established by the Township labeled "Garbage and Rubbish Collection Fund."

**J. Harding Cherry Grove Improvement Fund**

The Board approved a special assessment district to cover the costs of improvements to Harding and Cherry Grove Roads.



GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2006

**K. Lily Lake Improvement Fund**

The Board approved a special assessment for improvements to Lily Lake.

**IV. OTHER INFORMATION**

**A. Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

**B. Retirement Plan**

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 18. Each employee is 100% vested upon entering the plan. An employee's normal retirement age is age 65 or the 5<sup>th</sup> anniversary of the first day of the plan year in which participation in the plan commenced.

The formula for determining contributions is based on an employee's annual compensation. The Township has elected to contribute 10% of compensation to the plan annually. Past service credit is calculated as 3% of current compensation for each year of past service to a maximum of 10 years.

Township contributions to the plan for 2005-2006 amounted to \$2,588. In addition the Township paid a \$185 service fee. The contribution was based on 2005 calendar year wages of \$31,726 and total wages for all employees including noncovered payroll was \$32,172.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND				ROAD IMPROVEMENT FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>								
Taxes	\$ 29,000	\$ 29,000	\$ 40,814	\$ 11,814	\$ 61,500	\$ 61,500	\$ 64,615	\$ 3,115
State Grants	73,200	73,200	75,246	2,046	0	0	0	0
Charges for Services	100	100	5,414	5,314	0	0	0	0
Interest and Rents	10,700	10,700	9,461	(1,239)	750	750	1,006	256
Other Revenues	4,400	4,400	16,479	12,079	0	0	0	0
Total Revenues	117,400	117,400	147,414	30,014	62,250	62,250	65,621	3,371
<u>EXPENDITURES</u>								
Legislative	11,500	11,500	8,034	3,466	0	0	0	0
General Government	73,600	73,975	68,547	5,428	0	0	0	0
Public Safety	25,000	22,910	22,906	4	0	0	0	0
Public Works	500	600	527	73	120,000	146,201	146,164	37
Health and Welfare	0	0	0	0	0	0	0	0
Recreation and Cultural	5,100	0	0	0	0	0	0	0
Other Functions	31,054	31,354	8,272	23,082	0	0	0	0
Total Expenditures	146,754	140,339	108,286	32,053	120,000	146,201	146,164	37
Excess (Deficiency) of Revenues Over Expenditures	(29,354)	(22,939)	39,128	62,067	(57,750)	(83,951)	(80,543)	3,408
<u>FUND BALANCE</u> - Beginning of Year	389,719	389,719	418,983	29,264	121,785	121,785	128,240	6,455
<u>FUND BALANCE</u> - End of Year	\$ 360,365	\$ 366,780	\$ 458,111	\$ 91,331	\$ 64,035	\$ 37,834	\$ 47,697	\$ 9,863

GARBAGE AND RUBBISH COLLECTION FUND

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0
0	0	0	0
65	65	567	502
46,000	43,900	43,900	0
46,065	43,965	44,467	502

0	0	0	0
0	0	0	0
0	0	0	0
53,000	53,000	52,006	994
0	0	0	0
0	0	0	0
0	0	0	0
53,000	53,000	52,006	994

(6,935)	(9,035)	(7,539)	1,496
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83,876	83,876	91,148	7,272
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\$ 76,941	\$ 74,841	\$ 83,609	\$ 8,768
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HARDING CHERRY GROVE IMPROVEMENT FUND

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0
0	0	0	0
20	20	19	(1)
14,000	13,300	13,928	628
14,020	13,320	13,947	627

0	0	0	0
0	0	0	0
0	0	0	0
18,100	18,100	18,062	38
0	0	0	0
0	0	0	0
0	0	0	0
18,100	18,100	18,062	38

(4,080)	(4,780)	(4,115)	665
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21,296	21,296	24,177	2,881
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\$ 17,216	\$ 16,516	\$ 20,062	\$ 3,546
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LILY LAKE IMPROVEMENT FUND

ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
\$ 0	\$ 0	\$ 0	\$ 0
0	0	0	0
0	0	0	0
10	10	12	2
15,500	15,500	15,625	125
15,510	15,510	15,637	127

0	0	0	0
0	0	0	0
0	0	0	0
0	0	0	0
15,500	15,500	13,945	1,555
0	0	0	0
0	0	0	0
15,500	15,500	13,945	1,555

10	10	1,692	1,682
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14,547	14,547	15,549	1,002
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\$ 14,557	\$ 14,557	\$ 17,241	\$ 2,684
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GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GENERAL FUND

BALANCE SHEET  
MARCH 31, 2006

ASSETS

Cash	
Money Market Account	\$ 78,102
Certificates of Deposit	353,305
Due from Other Governments	18,781
Due from Current Tax Collection Fund	4,914
Taxes Receivable	<u>3,602</u>
 TOTAL ASSETS	 <u><u>\$ 458,704</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 593</u>
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FUND BALANCE

Designated for Township Hall	30,118
Reserved for Telecommunication Right-Of-Way	4,992
Unreserved	<u>423,001</u>

TOTAL FUND BALANCE	<u>458,111</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 458,704</u></u>
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GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 29,000	\$ 29,000	\$ 40,814
State Grants	73,200	73,200	75,246
Charges for Services	100	100	5,414
Interest and Rents	10,700	10,700	9,461
Other Revenues	4,400	4,400	16,479
Total Revenues	117,400	117,400	147,414
<u>EXPENDITURES</u>			
Legislative			
Township Board	11,500	11,500	8,034
General Government			
Supervisor	8,500	8,500	7,475
Assessor	8,000	8,000	7,188
Elections	600	600	630
Clerk	9,300	9,675	9,747
Board of Review	1,200	1,200	1,119
Treasurer	16,000	16,000	15,865
Building and Grounds	22,000	22,000	20,167
Cemetery	8,000	8,000	6,356
Public Safety	25,000	22,910	22,906
Public Works	500	600	527
Recreation and Cultural	5,100	0	0
Other Functions	31,054	31,354	8,272
Total Expenditures	146,754	140,339	108,286
Excess (Deficiency) of Revenues Over Expenditures	(29,354)	(22,939)	39,128
FUND BALANCE - Beginning of Year	389,719	389,719	418,983
FUND BALANCE - End of Year	\$ 360,365	\$ 366,780	\$ 458,111

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF BALANCE SHEETS  
MARCH 31, 2006

	<u>ROAD</u> <u>IMPROVEMENT</u>	<u>GARBAGE</u> <u>AND RUBBISH</u> <u>COLLECTION</u>
<u>ASSETS</u>		
Cash		
Money Market Account	\$ 39,807	\$ 56,733
Certificates of Deposit	0	19,241
Taxes and Special Assessments Receivable	7,890	7,635
TOTAL ASSETS	<u>\$ 47,697</u>	<u>\$ 83,609</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>FUND BALANCE</u>		
Reserved for:		
Road Improvements	47,697	0
Garbage and Rubbish Collection	0	83,609
Harding Cherry Grove Improvement	0	0
Lily Lake Improvement	0	0
Total Fund Balance	<u>47,697</u>	<u>83,609</u>
TOTAL LIABILITIES		
AND FUND BALANCE	<u>\$ 47,697</u>	<u>\$ 83,609</u>

The accompanying notes are an integral part of these financial statements.

HARDING CHERRY GROVE IMPROVEMENT	LILY LAKE IMPROVEMENT	TOTAL
\$ 17,789	\$ 15,866	\$ 130,195
0	0	19,241
2,273	1,375	19,173
<u>\$ 20,062</u>	<u>\$ 17,241</u>	<u>\$ 168,609</u>
\$ 0	\$ 0	\$ 0
0	0	47,697
0	0	83,609
20,062	0	20,062
0	17,241	17,241
<u>20,062</u>	<u>17,241</u>	<u>168,609</u>
<u>\$ 20,062</u>	<u>\$ 17,241</u>	<u>\$ 168,609</u>

The accompanying notes are an integral part of these financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED MARCH 31, 2006

	ROAD IMPROVEMENT	GARBAGE AND RUBBISH COLLECTION
<u>REVENUES</u>		
Taxes	\$ 64,615	\$ 0
Interest and Rents	1,006	567
Other Receipts	0	43,900
Total Revenues	<u>65,621</u>	<u>44,467</u>
<u>EXPENDITURES</u>		
Public Works	146,164	52,006
Health and Welfare	0	0
Total Disbursements	<u>146,164</u>	<u>52,006</u>
Excess (Deficiency) of Revenues Over Expenditures	(80,543)	(7,539)
<u>FUND BALANCE</u> - Beginning of Year	<u>128,240</u>	<u>91,148</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 47,697</u>	<u>\$ 83,609</u>

The accompanying notes are an integral part of these financial statements.



HARDING CHERRY GROVE IMPROVEMENT	LILY LAKE IMPROVEMENT	TOTALS
\$ 0	\$ 0	\$ 64,615
19	12	1,604
13,928	15,625	73,453
13,947	15,637	139,672
18,062	0	216,232
0	13,945	13,945
18,062	13,945	230,177
(4,115)	1,692	(90,505)
24,177	15,549	259,114
\$ 20,062	\$ 17,241	\$ 168,609

The accompanying notes are an integral part of these financial statements.

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE	
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006	
<u>ASSETS</u>					
Cash	\$ 4,692	\$ 992,944	\$ 992,805	\$ 4,831	
Due from Other Governments	0	83	0	83	
	<hr/>				
Total Assets	\$ 4,692	\$ 993,027	\$ 992,805	\$ 4,914	
<hr/>					
<u>LIABILITIES</u>					
Due to Other Funds	\$ 4,692	\$ 178,607	\$ 178,385	\$ 4,914	
Due to Other Organizations and Individuals	0	1,589	1,589	0	
Due to Other Governments	0	812,831	812,831	0	
	<hr/>				
Total Liabilities	\$ 4,692	\$ 993,027	\$ 992,805	\$ 4,914	
<hr/>					

GREENWOOD TOWNSHIP, CLARE COUNTY  
HARRISON, MICHIGAN

STATEMENT OF 2005 TAX ROLL  
MARCH 31, 2006

TAXES ASSESSED

County	\$ 203,322	
County - State Education Tax	208,250	
Township		
Operating	29,500	
Roads	64,615	
Garbage Collection - Special Assessment	43,900	
Harding Cherry Grove Improvement - Special Assessment	13,334	
Lily Lake Improvement - Special Assessment	15,625	
School	381,021	
Intermediate School	71,741	
Community College	43,047	\$ 1,074,355

TAXES COLLECTED

County	181,607	
County - State Education Tax	194,643	
Township		
Operating	25,898	
Roads	56,725	
Garbage Collection - Special Assessment	36,265	
Harding Cherry Grove Improvement - Special Assessment	11,061	
Lily Lake Improvement - Special Assessment	14,250	
School	338,335	
Intermediate School	62,981	
Community College	37,791	959,556

TAXES RETURNED DELINQUENT

County	21,715	
County - State Education Tax	13,607	
Township		
Operating	3,602	
Roads	7,890	
Garbage Collection - Special Assessment	7,635	
Harding Cherry Grove Improvement - Special Assessment	2,273	
Lily Lake Improvement - Special Assessment	1,375	
School	42,686	
Intermediate School	8,760	
Community College	5,256	\$ 114,799

134 WEST HARRIS STREET  
CADILLAC, MICHIGAN 49601  
231-775-9789  
FAX: 231-775-9749

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*Baird, Cotter and Bishop, P.C.*

**CERTIFIED PUBLIC ACCOUNTANTS**

May 12, 2006

### LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board  
Greenwood Township  
Clare County  
Harrison, Michigan

During the course of our audit of the financial statements of Greenwood Township for the year ended March 31, 2006, we noted the following:

#### GASB 34

The Governmental Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

#### Internal Control

While we observed that bills are approved for payment by the Township Board, we did not observe evidence of approval for payment on the bills/invoices (source documents) themselves. We suggest that as a method of strengthening internal control, the Township consider having a board member such as Supervisor or Trustee sign or initial the source document as "approved" at the time the approval is made.

Another suggestion for strengthening internal control which we recommend is for all checks written from all funds, except the Tax Collection Fund, to require two signatures, and those invoices also go before the board for approval.

General Recordkeeping - The accounting records for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We commend the clerk and treasurer for a job well done and encourage them to keep up the fine effort.

We would like to thank the board for its continued confidence in our firm and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*

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**CERTIFIED PUBLIC ACCOUNTANTS**

May 12, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board  
Greenwood Township  
Clare County  
Harrison, Michigan

In planning and performing our audit of the financial statements of Greenwood Township, Clare County, Harrison, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

*Baird, Cotter & Bishop, P.C.*